

SB

225

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/10/94

FURTHER: Judiciary
Finance

Date of 5-Day Notice: 1/27/94
(in accordance with Uniform Rule 23)

DATE TURNED
INTO OFFICE: 2-4-94

HES Committee considered SENATE BILL NO. 225

"An Act relating to credits against certain insurance taxes for contributions to certain educational institutions; and providing for an effective date."

and recommends:

replace with _____ CS SB 225 (HES)

same title
 new title
 technical title change
(HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
Commerce & Economic Dev.	1/20/94	✓	(900.)
Revenue	1/31/94	✓	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

Lawrence A. Roman
Alan R. Riegg

OTHER RECOMMENDATIONS:

Mike Miller No Rec
Judge S. D. No Rec
Bob Sharp No Rec

Chair: Signature and Recommendation

SPONSOR STATEMENT S.B. 225
TAX CREDITS FOR INSURANCE COMPANIES
SENATOR JAY KERTTULA

THIS BILL WILL ALLOW AUTHORIZED INSURANCE AND TITLE INSURANCE COMPANIES TO CREDIT THEIR STATE TAX LIABILITY WITH AN AMOUNT EQUAL TO DONATIONS THEY MAKE TO QUALIFIED HIGHER EDUCATIONAL INSTITUTION IN THE STATE.

AN INSURANCE COMPANY WILL BE ABLE TO TAKE A CREDIT FOR 50% OF THE FIRST \$100,000 AND 100% OF THE NEXT \$100,000 UP TO A LIMIT OF \$150,000 (OR 50% OF THEIR TAX LIABILITY WHICHEVER IS LESS) THAT THEY DONATE TO A QUALIFIED INSTITUTION. THIS BILL BROADENS TO THE INSURANCE INDUSTRY THE ALREADY EXISTING TAX CREDITS AVAILABLE FOR OTHER INDUSTRIES IN THE STATE TO SUPPORT HIGHER EDUCATION.

I UNDERSTAND THAT THERE ARE MANY INSURANCE COMPANIES DOING BUSINESS IN THE STATE, SOME OF WHICH HAVE A VERY LIMITED MARKET. THIS IS WHY I HAVE ADDED THE 50% OF TAX LIABILITY LIMITATION, IN ORDER TO ENSURE THAT EACH COMPANY HAS A

MINIMAL AMOUNT OF INTERACTION WITH THE DIVISION OF INSURANCE.
IN ADDITION, THE DIVISION OF INSURANCE IS FUNDED ENTIRELY BY
THE TAXES AND FEES THE INSURANCE COMPANIES PAY TO THE STATE.
SO, IN ORDER TO ENSURE A STABLE BUDGET ARENA FOR THE DIVISION,
I HAVE LIMITED THE CREDIT TO 50% OF THE TAX LIABILITY.

I BELIEVE THIS BILL WILL HAVE A POSITIVE AFFECT ON
EDUCATIONAL INSTITUTIONS IN THE STATE BY PROVIDING AN
INCENTIVE TO THE INSURANCE INDUSTRY TO SUPPORT ALASKA
EDUCATIONAL INSTITUTIONS.

8-LS1268J
Chenoweth
2/3/94

CS FOR SENATE BILL NO. 225(HES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR KERTTULA

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credits against certain insurance taxes for contributions to
2 certain educational institutions; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 21.09.210 is amended by adding a new subsection to read:

5 (j) The provisions of AS 21.89.070 apply to a taxpayer who is required to pay
6 a tax due under this section.

7 * Sec. 2. AS 21.66.110 is amended by adding a new subsection to read:

8 (b) The provisions of AS 21.89.070 apply to a taxpayer who is required to pay
9 the tax due under this section.

10 * Sec. 3. AS 21.89 is amended by adding a new section to read:

11 Sec. 21.89.070. INSURANCE TAX CREDIT FOR GIFTS TO COLLEGES.

12 (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or
13 AS 21.66.110 for cash contributions for direct instruction, research, and educational
14 support purposes, including library and museum acquisitions, and contributions to

1 endowment, that are accepted by a nonprofit, public or private, Alaska two-year or
2 four-year college or university accredited by a regional accreditation association or that
3 are accepted by an Alaska university foundation that supports a university or college
4 that could receive a contribution for which a taxpayer may obtain a credit under this
5 section. The amount of the credit is the lesser of

6 (1) an amount equal to

7 (A) 50 percent of contributions of not more than \$100,000; and

8 (B) 100 percent of the next \$100,000 of contributions; or

9 (2) 50 percent of the taxpayer's tax liability under this title.

10 (b) By September 30 of each year, the Department of Commerce and
11 Economic Development shall report to the Legislative Budget and Audit Committee
12 on the credits taken during the preceding state fiscal year under this section. Each
13 public college and university shall include in its annual operating budget request
14 contributions received and how the contributions were used.

15 (c) A contribution claimed as a credit under this section

16 (1) may not be claimed as a credit under more than one provision of
17 this title; and

18 (2) may not, when combined with credits taken during the taxpayer's
19 tax year under AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or
20 AS 43.75.018, exceed \$150,000.

21 * Sec. 4. AS 43.20.014(d) is amended to read:

22 (d) A contribution claimed as a credit under this section

23 (1) may not be claimed as a credit under another provision of this title;

24 (2) may not also be allowed as a deduction under 26 U.S.C. 170 against
25 the tax imposed by this chapter; and

26 (3) may not, when combined with credits taken during the taxpayer's
27 tax year under AS 21.89.070, AS 43.55.019, AS 43.56.018, AS 43.65.018, or
28 AS 43.75.018, exceed \$150,000.

29 * Sec. 5. AS 43.55.019(d) is amended to read:

30 (d) A contribution claimed as a credit under this section may not

31 (1) be claimed as a credit under another provision of this title; and

1 (2) when combined with credits taken during the taxpayer's tax year
2 under AS 21.89.070, AS 43.20.014, AS 43.56.018, AS 43.65.018, or AS 43.75.018,
3 exceed \$150,000.

4 * Sec. 6. AS 43.56.018(d) is amended to read:

5 (d) A contribution claimed as a credit under this section may not
6 (1) be claimed as a credit under another provision of this title; and
7 (2) when combined with credits taken during the taxpayer's tax year
8 under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.65.018, or AS 43.75.018,
9 exceed \$150,000.

10 * Sec. 7. AS 43.65.018(d) is amended to read:

11 (d) A contribution claimed as a credit under this section may not
12 (1) be claimed as a credit under another provision of this title; and
13 (2) when combined with credits taken during the taxpayer's tax year
14 under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or AS 43.75.018,
15 exceed \$150,000.

16 * Sec. 8. AS 43.75.018(d) is amended to read:

17 (d) A contribution claimed as a credit under this section may not
18 (1) be claimed as a credit under another provision of this title; and
19 (2) when combined with credits taken during the taxpayer's tax year
20 under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or AS 43.65.018,
21 exceed \$150,000.

22 * Sec. 9. This Act is retroactive to January 1, 1994, and applies to contributions made
23 under AS 21.89.070, added by sec. 3 of this Act, after December 31, 1993.

24 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 225

Revision Date: _____
 Title: Insurance Tax Credits: Gifts to Colleges

Department Affected: Commerce and Economic Development
 BRU: Insurance

Sponsor: Kerttula
 Requestor: _____

Component: Operations

COMPONENT SERIAL NO. 354

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	(900.0)	(900.0)	(900.0)	(900.0)	(900.0)	(900.0)
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GF 1004 & 68515

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

This bill provides for a maximum annual premium tax credit of \$150,000 for cash gifts to Alaska colleges. Any tax credit will reduce general fund premium tax revenue (OMB 1004, SAS 68515) by a like amount. It is impossible to predict the amount of premium tax credits that would be applicable in any given year. However, if six companies claimed the maximum premium credit, the result would be a loss of \$900.0 to the general fund.

Prepared by: Joan Brown, Administrative Officer
 Division: Insurance

Phone: 465-2597
 Date: 1/20/94

Approved by Commissioner: Paul Fuhs
 Agency: Commerce and Economic Development

Date: _____

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 225

Revision Date: _____
 Title: Insurance Tax Credit: Gifts to Colleges

nt. Affected: Revenue
 J: Revenue Operations
 Component: Income and Excise Audit

Sponsor: Senator Kertula
 Requestor: (S) HES

COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE: General	**	**	**	**	**	**
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)

** It is not feasible to determine how credits claimed under this bill will impact credits claimed under AS Title 43 because credits under both Title 21 and Title 43 are competing for the \$150,000 total credit limitation. Amounts will vary depending on contributions made by taxpayers each year.

Prepared by: Larry E. Meyers
 Division: Income and Excise Audit
 Approved by Commissioner: Darrel J. Rexwinkel
 Agency: Department of Revenue

Phone: 465-2320
 Date: January 31, 1994
 Date: January 31, 1994

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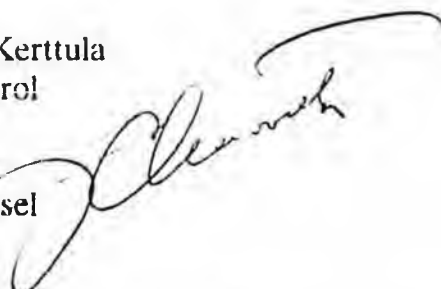
MEMORANDUM

January 19, 1994

SUBJECT: Senate Bill 225 -- Sectional analysis (Work Order No. 8-LS1268\E)

TO: Senator Jalmar Kerttula
Attn: Carol Carrol

FROM: Jack Chenoweth
Legislative Counsel



The measure would extend to payers of taxes imposed under the statutory title which regulates the business of insurance (AS 21) the same opportunity to claim credits for gifts to state educational institutions as were authorized for payers of various taxes imposed under AS 43 by ch. 71, SLA 1991.

Bill section 1: The bill section adds a subsection (j) to AS 21.09.210 that authorizes a claim of the credit against taxes due and payable under the general levy imposed on direct insurance premium income.

Bill section 2: The bill section adds a subsection (b) to AS 21.66.110 that authorizes a claim of the credit against taxes due and payable under the levy imposed on title insurance premiums.

Bill section 3: This provision defines the credit, extending the opportunity to claim a credit against taxes for contributions to qualifying educational institutions. The language derives directly from the claim of the credit authorized by the taxes imposed under AS 43. In amount, the claim of credit is limited to the lesser amount of (1) one-half of the amount of contributions on the first \$100,000 (\$50,000) and the full amount of the contribution on the next \$100,000, an effective maximum of \$150,000, or (2) 50 percent of the taxpayer's tax liability under AS 21.

Bill sections 4 - 8: The amendments to these five sections conform the various sections under which the educational institution credit is authorized against the corporate income tax (AS 43.20), oil and gas production (i.e severance) tax and surcharge (AS 43.55), oil and gas property tax (AS 43.56), mining icense tax (AS 43.65), and fisheries business tax (43.75). Cumulative claims of the credits

Senator Jalmar Kerttula
January 19, 1994
Page 2

against all taxes--the insurance tax addressed in this bill and the five other taxes against which the claim may be made--during any one tax year may not, in total, exceed \$150,000.

Bill section 9: This provision makes the insurance tax credit claimable retroactive to January 1, 1994, to allow for a claim of the full amount of the credit in the current calendar year.

Bill section 10 gives the bill an immediate effective date.

JBC:pl
94-050.plm

ALASKA PACIFIC UNIVERSITY

The President

FAX for Senator Jay Kerttula
 Re: Education Tax Credit

Dear Senator Kerttula:

I write to support Senate Bill 225 which seeks to include within the Education Tax Credit legislation a group of Alaskan corporations who were inadvertently left out of the earlier legislation. I refer to insurance companies who do not pay state income tax but do pay a tax based on premiums.

The inadvertence was due to the fact that the insurance companies are included in a different part of the code. S225 seeks to remedy this oversight to make it possible for these companies to receive credits against certain insurance taxes for contribution to certain educational institutions in the same way that is available to other companies under paragraphs in AS43.

Insurance companies, interested in making gifts through the Education Tax Credit program, have urged us to seek a way for them to be included in the program.

This is very important especially to the two private institutions in the state, Alaska Pacific University and Sheldon Jackson College, and to the University of Alaska Foundation. It encourages corporations to support institutions that are totally dependent on private philanthropy. These institutions provide substantial service to the state by educating a significant percentage of Alaska's students with high quality programs.

I urge the passage of S225.

Cordially,

Tom -

F. Thomas Trotter
 President

Post-it® brand fax transmittal memo 7671 # of pages 1

To <i>Sen Kerttula</i>	From <i>Tom Trotter</i>
Co. <i>Sen Kerttula's Office</i>	So. <i>APU</i>
Dept.	Phone # <i>464-8220</i>
Fax # <i>465-5801</i>	Fax #



Wendy Redman, Vice President
University Relations
(907) 474-7662
(907) 474-7570 (FAX)

University of Alaska Statewide System
Fairbanks, Alaska 99775-6800

TO: Senate HESS Committee

FROM: Wendy Redman, Vice President *WR*

DATE: February 2, 1994

RE: SB 225 - Credits Against Certain Insurance Taxes

I am sorry that I am unable to testify in person, or by audio conference, in support of SB 225, but I ask that this letter be included in the proceedings of the meeting, and that the University of Alaska be shown as strongly in favor of passage.

The tax credit legislation passed several years ago has proved very helpful to the University of Alaska, to APU and to Sheldon Jackson College in seeking private funds in support of our academic programs. Corporations and businesses that are inclined to donate to higher education find it much more appealing because of the tax credit opportunity. It has been a significant asset for our fund-raisers in presenting their case to potential donors.

Legislation regarding the taxation of insurance companies doing business in Alaska precludes them from being able to utilize the current corporate tax credit. The legislation before you will extend the tax credit to this group of corporations and, we hope, make them more favorable to our solicitations.

As you know the legislature has been encouraging the University of Alaska to seek alternative revenue sources including private fund-raising. UAF has been particularly active, having just completed their first major campaign. The campus raised close to \$12 million over the past two years, exceeding their goal by \$2 million. The majority of these funds are in endowments that will provide benefits to students far into the future. UAA and UAS have engaged in smaller efforts, but they have each had notable success over the past year with several substantial gifts.

During discussion on the original legislation there were concerns that other private non-profit groups would be disadvantaged if donors were encouraged, by use of a tax credit, to give money to higher education. I believe that the pattern of private fund-raising in the state has shown that this is not true, and that corporations and businesses continue to make donations following their own internal priorities and principles. The tax credit is an advantage for securing donations that are already targeted for higher education but for one reason or another just haven't materialized.

Thank you for your interest and again, on behalf of the University of Alaska, I urge your support of this legislation, and ask for your vote to move SB 225 from the HESS Committee.